
U.S. Senate
Republican Policy
Committee

Don Nickles, Chairman
Doug Badger, Staff Director



U.S. House
Republican
Conference

John Boehner, Chairman
Barry Jackson, Executive Director

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EIC Protects Low-Income Taxpaying Families

The Balanced Budget Reconciliation Act contains much-needed reforms to the Earned Income Credit (EIC) which will slow its explosive growth, eliminate fraud and waste, and refocus the credit on its intended beneficiaries — low income families with children.

Most importantly, the EIC reforms, when combined with the \$500-per-child tax credit, mean taxpayers with children at all income levels *who use the standardized deduction will pay less taxes next year than they paid this year.*

The changes provide savings that will, in many cases, be re-directed to EIC beneficiaries in the form of a child tax credit, and in other cases, will replace unintended tax breaks to illegal aliens, tax cheats, and affluent taxpayers in favor of much-needed tax credits to hard-working middle-income American families who underwrite these subsidies.

Putting a Check on the President's Rhetoric: The President has been deliberately avoiding the facts in favor of inflammatory statements. Most recently, before the Democrat Leadership Council on November 13, 1995, he said: *"Now the Republican budget would cut the tax credit by even more than we raised it, raising taxes on 17 million working families, rising to an average of \$574 a year for families with two or more children."* This statement is wrong on both counts.

Fact: the cost of the EIC will nearly double since the Clinton expansion, even with these much-needed reforms:

1993 (before Clinton expansion)	\$13.2 billion
2002 (under GOP reforms)	\$25.4 billion

And, even under GOP reforms, the maximum EIC benefit will increase substantially, in fact many will receive the same amount as provided for under Clinton's expansion:

1993 (before Clinton expansion)	\$1,511
2002 (under GOP reforms)	\$4,320

Fact: None of the intended beneficiaries of the EIC will see higher taxes. The conference agreement's EIC reforms, when combined with the \$500-per-child tax credit, mean the only change for taxpayers with children who use the standardized deduction is that they *will pay less taxes next year than they paid last year.*